

Corporate Governance Report

The Board recognizes the importance of good corporate governance. To this end, the Board has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company complied with the provisions of the Code throughout the year ended 31 March 2006 except the following:

Code Provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company (the "Bye-laws"), (i) any director appointed to fill a casual vacancy shall hold office until the next annual general meeting and shall then be eligible for re-election at the meeting; and (ii) at each annual general meeting one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation except for any director holding office as the chairman of the Board and/or the managing director of the Company.

The Board will propose relevant amendments to be made to the Bye-laws at the forthcoming annual general meeting.

BOARD OF DIRECTORS

The Board provides leadership and guidance for the Group and oversees the Group's business directions, strategic decisions and financial performances. The Board delegates to the management team the day-to-day operation of the Group's business. Management is empowered to business decisions as long as they follow the strategies and plans developed by the Board.

The Board comprises 3 executive directors, 1 non-executive director and 3 independent non-executive directors. Save for the fact that Ms. Hong Jing Yu, an non-executive director, is the wife of Mr. Chan Tat, the Chairman, there is no relationship (including financial, business, family or other material/relevant relationships) among the members of the Board.

The non-executive directors (including the independent non-executive directors) have been appointed for a fixed term of one year expiring on 31 July 2007.

More than one-third of the Board is independent non-executive directors and two of them have appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Each of the independent non-executive directors has confirmed their independence in accordance with the guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors to be independent.

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The Board meets at least 4 times a year. 6 meetings were held during the year ended 31 March 2006. The individual attendance of the Directors at these meetings was as follows:

Name of director	Number of attendances
<i>Executive directors</i>	
Chan Tat (<i>Chairman</i>)	5/6
Poon Tat Hang (<i>Chief Executive Officer</i>)	6/6
Lee Kam Hung	4/6
Sin Cheuk Lok, Christopus (resigned on 27 June 2005)	1/6
Kwong Tat-Wai, David (resigned on 12 January 2006)	2/6
<i>Non-executive director</i>	
Hong Jing Yu	4/6
<i>Independent non-executive directors</i>	
Hong Yee Kwong, Paul	2/6
Lam King Pui	2/6
Wu Tai Cheung (appointed on 1 January 2006) (<i>Note</i>)	0/6
Wong Tik Tung (resigned on 4 October 2005)	1/6

Note: No meeting had been held after the appointment of Mr. Wu.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of the Company are Mr. Chan Tat and Mr. Poon Tat Hang respectively. Their roles are divided such that the chairman is responsible for managing the Board and the chief executive officer is responsible for managing the day-to-day operations of the Group.

BOARD COMMITTEES

The Board has established two committees, namely the Audit Committee and Remuneration Committee, with specific written terms of reference.

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AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditors.

The Audit Committee comprises the three independent non-executive directors. It held 3 meetings during the year ended 31 March 2006. The individual attendance of the members of the Audit Committee at these meetings was as follows:

Name of member	Number of Attendances
Lam King Pui (<i>Chairman</i>)	3/3
Hong Yee Kwong, Paul	3/3
Wong Tik Tung (resigned on 4 October 2005)	1/3
Wu Tai Cheung (appointed on 1 January 2006)	1/3

The work performed by the Audit Committee in the year ended 31 March 2006 included:

- Reviewed the annual report
- Reviewed the interim report
- Met with the Company's auditors to discuss the accounting policies of the Group and the scope of the audit
- Reviewed the remuneration of the Company's auditors in respect of audit and non-audit services
- Reviewed the effectiveness of the Group's internal control systems

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for assisting the Board in determining and monitoring the Group's remuneration policy for directors and senior management. It comprises the three independent non-executive directors. It met once during the year ended 31 March 2006 to review the remuneration of directors and senior management.

Name of member	Number of Attendances
Hong Yee Kwong, Paul (<i>Chairman</i>)	1/1
Lam King Pui	1/1
Wong Tik Tung (resigned on 4 October 2005)	1/1
Wu Tai Cheung (appointed on 1 January 2006)	0/1

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NOMINATION OF DIRECTORS

Power to nominate directors vests in the Board. According to the bye-laws of the Company, the Board may appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the Board. Any nomination should take into consideration of the nominee's qualification, ability and potential contribution to the Group.

The Board has not established a nomination committee. The Board believes it can competently select candidates for directorship without setting up a committee for such purpose.

On 11 July 2005, the Board appointed Mr. Kwong Tat-Wai, David as executive director. Mr. Kwong subsequently resigned on 12 January 2006 on his own accord.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. Specific enquiry has been made of all directors who have confirmed in writing their compliance with the required standards set out in Model Code during the year ended 31 March 2006.

AUDITORS' REMUNERATION

For the year ended 31 March 2006, the following fees were paid or are payable to the Company's auditors:

Fees for audit services:	HK\$310,000
Fees for non-audit services:	
Interim review	HK\$40,000
Tax advisory	HK\$73,900

INTERNAL CONTROL

The Board has reviewed the internal control systems of the Group and concluded that it was effective in terms of safeguarding the shareholders' investments and the Group's assets throughout the year ended 31 March 2006.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements of each financial period which give a true and fair view of the state of affairs of the Group. The financial statements for the year ended 31 March 2006 were prepared on a going concern basis and in accordance with statutory requirements and applicable accounting standards.